



DISSERTATION

ON

**Thesis on Complication and Prospect In Bangladesh Financial Companies
with the need of Good Corporate Governance**

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Declaration

I declare that this research paper is solely done by myself. It has also never been used in any previous application for a degree, either in part or entirely. I certify that this study is being presented as part of an undergraduate program as Law 406 (Supervised Dissertation) of the Department of Law, East West University. This research paper is composed entirely by myself solely and this the result of my own work and has not been submitted to any other degree. All the information and contents that has been contributed here is with references and with acknowledgements.

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Abstract

The Goal of this research is to learn about good corporate governance procedures in Bangladesh in the institutions of finance companies. Bangladesh is one of the world's least economically developed nations. The country's economic progress is hampered by a lack of corporate governance. This reason the Bank's market access and activities, as well as their removal from the market in the event of failure, are all regulated by well-designed regulations of the banking industry. While there is broad agreement on the content of banking legislation at the level of financial policy, their drafting frequently leaves something to be desired. Despite popular belief, the types of flaws in banking regulations are hardly country-specific; many flaws are shared by numerous banking laws. This working paper examines those flaws and potential solutions by focusing on a set of legal policy principles. This research was conducted to see if good corporate governance is being implemented effectively in Bangladesh and to provide insight into which strategy will be more acceptable to the country. Inbound and outbound logistics are expected to boost efficiency, profitability, long-term sustainability, and the creation of specific competences for the Bangladesh economy. One of the 17 Sustainable Development Goals, Sustainable Development Goal 8, is about "decent work and economic growth." A good governance practice will assist in ensuring a good corporation in Bangladesh's financial sector and achieving the SDG Goals.

KEYWORDS: Banking Company, Types of companies, Corporate Governance, Good governess, Performance, Money Laundering cases, investigation, transparency, trading, fraudulent, effectiveness.

**Thesis on Complication and Prospect In Bangladesh Financial
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Chapter 01

1.1 Introduction

Corporate governance is concerned with balancing economic and social objectives. The corporate governance framework is in place to promote continuous improvement also while ensuring accountability for resource sustainability. This Research paper is concerned with the theory of the Banking Company and what's the impact on the different aspects of financial institutions. It includes perspectives from law, economics, and financial systems, as well as structure, corporate governance, emerging new concerns, critical analysis, and effectiveness in the banking industry.¹ As we know every country needs a corporate governance to run its companies properly. Nowadays, it has become an important topic for the transition of economies. Even though the Board of directors, owners, CEO, employees, management everyone gets to realize that there are so many benefits if the good corporate governance has been structured for a company. With the support of good governance principles, they can better grasp the market, gain a broad understanding of the national and international financial markets, investigations, customer and employee relationships, regulations and rights, openness, accountability, fairness, and responsibility. However, there are other flaws and challenges that have arisen in this field.

Corporate governance has been the subject of continual research throughout the last few decades. These challenges have recently been the focus of well-known researchers.² My Research paper begins with an overview of some basic corporate governance mechanisms with the regulation and enforcement relies on the development of an interrelated area of public and private, national institutions with the regulations and rights. Without these everything will gradually fade away.

I have introduced the concept of excellent corporate governance and its impact on the study's objectives in this thesis paper.³ Apart from these, I focused on the theoretical perspective research on this field and review of literature. Besides that explained about the Banking Company Law &

¹ Corporate Governance in the banking industry, Mihaela Mocanu, January 2010

² Corporate Governance Guideline, <Access 3 April 2022>

³ Corporate Governance in Banking Sector of Bangladesh, Md. Nurul Hoque, 22 July 2017

Corporate Settings in our country. Then showed out the Issues and Effectiveness of the financial sector. After that analysis, research question solving & findings part of the thesis paper that reflects the overall condition of corporate governance. Moreover, in the Summary of overall research findings which might be helpful for making the financial institution with the good corporate governance.

1.2 Research Problem

The research problems mentioned above investigates the corporate of the Bangladeshi Financial companies. It is based on the financial sector's performance and related corporate governance characteristics.⁴ This research is to explore the Current Situation In Bangladesh Financial Companies with the need of Good Corporate Governance. Work on the effectiveness, Analysis and finding the solution as it will be discussed further in Chapter 4.

Here is my Research Problem:

01: Why Good corporate governance essential in the banking and financial sectors?

1.3 The research Justification

In this thesis paper if we concur with our current financial companies' scenario, we will find that there are lots of issues arising in the financial corporate sectors which analysis will help to show us that the guidelines of the financial sector in our country are not practicable. For that reason one group of people misuse this sector to earn illegal money doing fraud and wrongful Trading which affects the Banking Corporate Sector. On the other hand this group of people are involved in money laundering and for that reason we lost our currency value. Not only can't that, for lacking proper guidelines and good governance practices the law take any action against them. That's why we need to solve the issue. We have to maintain good governance to build our financial sector strong in Bangladesh.

⁴ Corporate Governance and Bank Performance, Richard J. Sullivan, September 2007

1.4 Literature Analysis

In my thesis I have been inspired from various articles and blogs by different authors and writers in academic research websites. Also, Dr. M Zahir, a Bangladeshi author, talks about company and securities law in his book, and Alan Dignam, a Professor of corporate law at Queen Mary University of London, writes about corporate sectors and responsibility in his book. By which I was inspired to focus on the financial sector of Bangladesh for maintaining good governance. That inspired me to focus on this and think comparatively. So, how can this current position be stressed in order to maintain Good Corporate Governance in Bangladeshi Financial Companies, which aids in the growth of the industry and protects it from other legal issues. No other effective option is left to the financial sectors to practice good corporate governance. This is our Companies law that needs to be reformed and good corporate governance practice should be added there.

1.5 Research Limitation

The non-availability of resources is the primary constraint of this study. Furthermore, there are no case laws available. Furthermore, no specific books exist for the research areas. If there are no time constraints, the researcher will also obtain more results. There is a shortage of current information, and the amount of time available is insufficient. Perhaps I did my hardest to come up with a new theme in such a short amount of time. However, there were few journals and essays on the subject. On the foundation of my project, there was no exact law. Overall, this research topic has numerous limitations.

1.6 Conclusion

In the context of Bangladesh's financial sector, there are very few such studies. The report is extremely valuable to planners and regulators in this regard. While substantial attention on corporate governance systems is required to protect them, this study will add to that effective corporate governance that cannot be successful on its own. Companies must practice the good corporate governance structure with key performance drivers by making and implementing strategic decisions and risk management while maximizing resource usage. This study

experimentally reveals the financial performance of Bangladeshi banking companies, using multiple estimators and alternative performance indicators to grow in their sectors.

Chapter 02

Introduction to Banking Company Law & Corporate Settings in Bangladesh

2.1. Introduction

The Bank Company Act, 1991 was a watershed moment in Bangladesh's banking operations, as it offered precise directions to the Board of Directors (BoDs), Management, and Regulators, defining their selection criteria, functions, and responsibilities. This had a significant impact on the banks' performance. Despite the fact that all banks failed to adequately implement the Acts in practice. This is reflected in their performance, and if we concentrate on that, after ten years, this Act will examine the performance of banks in particular. Commercial banks are critical in understanding the impact of this Act.⁵ A company, as we all know, is a separate legal entity that conducts business.⁶ The definition of company is defined under Section 2(d) of the Company Act of 1994: A company is a new or existing corporation created and registered under this Act.

A commercial bank is a profit-driven corporation that deals in money and credit. It is a money-handling financial institution in the sense that it accepts public money deposits and keeps them secure in its custody.⁷ According to Walter Leaf⁸ "A bank is a person or business that offers itself forth to receive from the public deposits receivable on demand by cheque," according to the

⁵ Bank and Financial Sectors Related Laws and Rules, Md. Obayed Ullah Al Masud, <Access date 25 April 2022>

⁶ Introduction Corporate governance is, Rashed vi, <Access date 26 April 2022>

⁷ Commercial Bank: Definition, Function, Credit Creation and Significances, J. Singh, [Accessed 19 April 2022].

⁸ Basic Agriculture Study, 16 May 2018 [Accessed 19 April 2022].

definitions of banks. Then, according to Horace White,⁹ “A bank is a credit maker and a machine for aiding trade.”¹⁰ As a result, commercial banks have played a significant part in Bangladesh's economic development. They have been providing investible funds to both the public and commercial sectors, with a focus on the latter. Furthermore, these banks have played a vital part in Bangladesh's four major economic growth drivers.¹¹

Banking law and regulation encompass private commercial law created through banking custom systems, as well as common law principles of good practice. They have a long history of creating and improving bank and consumer rights and obligations together. Consumer protection is therefore at the center of many banking legislation and regulatory initiatives. Which frequently strive to remedy or counterbalance the bank–customer relationship's stronger negotiating position.¹² These banks have made significant contributions to Bangladesh's economic development. Furthermore, if they had effectively addressed various challenges confronting the banking sector, such as weak management, poor governance, a lack of strong leadership, and non-compliance with ethical standards leading to various types of banking scams, such as money laundering issues, transparency their contribution would have been greater¹³.

Corporate governance is a highly important topic nowadays. However, the corporate governance practices of Bangladeshi banks are inadequate.¹⁴ However, the veracity of the published data and the quality of implementation are still up for debate.¹⁵ We have recently discovered frauds in the financial sector, which has caused alarm among the general public, including businessmen and other stakeholders.¹⁶ In this instance, comprehensive compliance with the corporate governance code is required to combat all fraudulent acts.¹⁷ Furthermore, everyone understands that the financial

⁹ *ibid*

¹⁰ The Measurement and Management of Operational Risk in South African Co-operative, E. Swanepoel, November 2012

¹¹ Economic growth in Bangladesh and role of banking sector, Barkat-e-Khuda, 11 January 2019

¹² Banking law and Regulation, 2019, <Access date 27 April 2022>

¹³ *Seen note 11*

¹⁴ *Seen note 03*

¹⁵ *ibid*

¹⁶ *ibid*

¹⁷ *ibid*

industry plays a critical part in a country's development.¹⁸ As a result, they must make corporate governance a top priority.

According to a 2003 **Bangladesh Enterprise Institute (BEI)** "Comparative Analysis of Corporate Governance in South Asia" report,¹⁹ Bangladesh's corporate governance norms and practices lag behind those of the region's other significant countries. As well as raising awareness of the significance of corporate governance. The research made reform recommendations to encourage transparency and accountability, which will lead to better corporate governance. Some of these problems were highlighted during the stock market crisis of 1996, which made investors skeptical of the stock market for years. As a result, corporate governance is a hot topic in today's globe. The majority of the issues in this field revolve around the organization's compliance status. The purpose of this study is to look into the impact of corporate governance procedures on the performance of enterprises in Bangladesh's banking industry.

This research paper examines the issues that arise in Bangladesh's banking industry's corporate governance practices. These issues concern the board's composition, the role of shareholders, the board's annual general meeting, the function of senior management, the role of auditors, and the capital market's role in corporate control in Bangladesh. These issues can be addressed by short-, medium-, and long-term activities.²⁰

¹⁸ibid

¹⁹A Comparative Analysis of Corporate Governance in South Asia: Charting a Roadmap for Bangladesh, Published by Bangladesh Enterprise Institute, <http://www.lprn.org.pk/wp-content/uploads/2015/07/2003-bei-charting_a_roadmap_for_bangladesh.pdf>, Para 3, page 5.

²⁰ Corporate Governance-Its Problems & Prospects in Banking Industry in Bangladesh, Begum Ismat Ara Huq and Mohammad Zahid Hossain Bhuiyan, March 2012, <<https://vdocuments.mx/documents/2-zahid.html>> [Accessed 23 April 2022]

2.2 The Concept of settings up companies in Bangladesh

Types of companies

According to **Section 2(1(c))** of the Companies Act Bangladesh 1994.²¹ "Company" refers to a new or existing corporation incorporated and registered under this Act. There are two types of businesses in terms of structure. The first is **public**, whereas the second is **private**.

Private and Public Company:

According to **Section 2(1(q)) of The Companies Act Bangladesh 1994.** ²²"private company" means a company whose articles restrict the right to transfer its shares, if any; (ii) prohibits any invitation to the public to subscribe for its shares or debentures, if any; (iii) limits the number of its members to fifty, excluding employees; Provided, however, that where two or more people jointly own one or more shares in a company, they will be treated as a single member for the purposes of this definition. Which means a private limited company is a sort of commercial entity owned by private individuals. The liability of the owner is limited to their ownership interest, and shareholders are prohibited from openly exchanging their shares.

Then According to **Section 2(1(r)) of The Companies Act (Bangladesh), 1994,**²³ is concerned with the definition of a public company: A company that is not a private company and is incorporated under this Act or any other law in effect prior to the commencement of this Act is referred to as a public company. A public corporation is one that has the authority to issue registered securities to the general public through an initial public offering (IPO) and is listed on at least one stock exchange. It is not permitted to commence business operations immediately after receiving the certificate of incorporation. It must also get a trade certificate or certificate of commencement in order to be eligible to operate as a public business.

²¹ See Note 01

²² ibid

²³ ibid

Businesses in Bangladesh must get a trading license from local regulators. The process of writing a document known as the articles of incorporation and enumerating the firm's shareholders, even the assets and cash flows of the business entity are kept separate from those of the owners and investors, which is known as limited liability, is the best way for a business to be formally organized and officially brought into existence. If the assets of the owner are safeguarded from the company's liabilities. This makes transferring ownership to another party simple. On business revenue, it frequently gets a lower tax rate than on personal income.²⁴.

Loss carryforwards are usually subject to less stringent tax rules. Which can raise funds by selling stock on the stock exchange. This incorporation essentially establishes a corporate veil around the company's shareholders and directors, providing minimal liability protection. In this way, incorporated organizations can take risks in order to achieve maximum growth without exposing shareholders, owners, and directors to personal financial responsibilities from their initial contributions to outsiders.²⁵ There are some significant distinctions between a corporation and an incorporation. The procedure and the product are two different things.

As a result, in Bangladesh, maintaining a business is a risky enterprise. Because rules and regulations can burn a hole in the pocket of customers at any time, robbing them of earnings in the shape of regulatory penalties or litigation costs. This incorporating company assists the owner in managing these risks by limiting the liability of the stakeholders. The terms incorporation and corporation are interchangeable. The board patterns of a firm, which are structured by members of the boards, directors, and where the company lies up to them also depend on the shareholders, employees, and consumers. As a result, they assisted in the maintenance and implementation of good governance in Bangladeshi businesses.

²⁴ What incorporated means, Juile Ross Godar, 1 February 2022

²⁵ Incorporation, Adam Hayes, September 22, 2020, <<https://www.investopedia.com/terms/i/incorporate.asp>>
[Accessed 23 April 2022]

2.3 Practice of Good Corporate Governance in Bangladesh Banking Industry Sectors.

In Bangladesh the banking sector has been struggling for too long to survive, especially in the last couple of two-three years. Because we know the world economics affected by the Pandemic and Covid-19 situation. The banking sectors are facing trouble regarding the loan defaults, even the high non-performing loans and other issues by the person or by companies. This pandemic situation has made the whole economy worse. If we regulate the core issues for the corporate governance of banks we will see the issues are manifold there and the key problems of this are composition and qualification of the board members. Which the legislative task is to enhance independent as well as qualified control to maintain. The World Review of Business Research²⁶ report on **Corporate Governance-Its Problems & Prospects in Banking Industry in Bangladesh**²⁷ A field survey report on the concerns of corporate governance in the Bangladeshi banking sector is available. The responses to the issues encountered in practicing Corporate Governance in Bangladesh's Banking Industry have been collated below²⁸:

Sl. No	Specific Issues	percent of those surveyed
1	Family members dominate corporate ownership structures.	100%
2	The influence of accounting rules and disclosure on CG and management practices in Bangladesh is mixed.	100%
3	Insufficient Bankruptcy Laws	60%
4	Inconsistency between the Companies Act, the Bangladesh Accounting Standard, and the standards of the Securities Exchange Commission	80%

²⁶ Seen note 20

²⁷ ibid

²⁸ ibid

5	Weak Regulatory factor in achieving	100%
6	Capital Market Role Is Weak	100%
7	There isn't a market for corporate control.	75%
8	The majority of businesses in Bangladesh are family-owned, and there is a link between strong corporate governance and failure to hold annual general meetings on time.	60%
9	Independent directors do not operate as a spokesperson for minority shareholders or a source of new ideas.	60%
10	Lack of Shareholder Participation	50%
11	Groups with Constant Volume	75%
12	Auditor independence is lacking.	80%
13	Unsatisfactory Audit Report	60%

So, the key finding of this research study is the number of concerns engaged in corporate governance practice in Bangladeshi banking sectors, and these issues are related to a company's Board of Directors, the function of shareholders, and so on²⁹. The role of the auditors, the GM, and the company's marketplace control Different terms of initiative, such as short, medium, and long term, can be used to overcome these. Which measures are covered in the Good Corporate Governance & Policy Implementation suggestions? Also, identify the needs for ensuring company supervision through increasing board of director capacity in the commercial and public sectors, including financial reporting quality. This program may help the corporation address concerns related to strong corporate governance in Bangladesh's banking sector.

²⁹ Seen note 20

2.4 Conclusion:

This research identifies a number of issues with the banking industry's corporate governance practices in Bangladesh. These issues concern the composition of the board, the role of shareholders, the annual general meeting of the board, the function of senior management, the role of auditors, and the position of the capital market in Bangladesh for corporate control. These issues can be addressed by short-, medium-, and long-term activities. Complete corporate governance code and adoption of competition policy are two short-term recommendations. Strengthening disclosure standards and directors' fiduciary duties, as well as assuring company supervision through boosting the board of directors' capacity, are among the mid-term recommendations. Long-term recommendations include enhancing corporate and public sector institutions' capacity, as well as institutional capacity, particularly financial reporting quality. If the aforementioned proposals are implemented, the future of Corporate Governance in Bangladesh's banking industry looks quite promising. As a result, it is concluded that the study's proposals and recommendations should be adopted as soon as possible. The participation of government and other agencies, such as the SEC and DCCI, is also highly important in this context, as is the function of the banking authority. It is important to note that the study's conclusions are the result of the researchers' own effort.³⁰

Chapter 03: Issues and Effectiveness on the Banking Commercial Sectors

3.1 Introduction

In the context of Commercial Bank Financial Investigation Approaches. Foreign banking, financial crimes, traders, and international corporations are all topics we need to be aware of. Traders and international corporations can use the global financial markets to extend their business across

³⁰ Seen note 20

multiple locations and generate money quickly.³¹ “International Banking”³² A bank organized and licensed under the laws of a foreign country is defined. International financial institutions³³ those who physically operate in multiple countries. Because many businesses are looking for ways to expand outside their own borders, economic expansion entails conducting business activities in other countries. In terms of the legal and regulatory framework, the flexibility of the framework promotes traders and investors to penetrate foreign markets.³⁴ Increased expansion in the financial and corporate sectors many foreign banking organizations establish branches to handle current and capital account activities. As a result, the bank plays an important role in the national and worldwide market by giving trade finance and investment opportunities to firms, corporate customers, and people conducting business in foreign nations.

On the other hand international banks also face various risks. Different countries have raised new issues and risks which will impact the financial institution. For Example Cyber extortion is when a firm is attacked or threatened with an attack. Then there's Intellectual Property Theft, which occurs when a company's software, copyright, patents, trademarks, and other intangible assets are stolen. The financial institution's reputation will suffer as a result of this. The bank could be obliged to pay a significant sum in compensation and legal fees. It is their responsibility to protect not only their clients' money but also sensitive consumer data.³⁵

"Financial crime" refers to any crime done for financial benefit.³⁶ Banks provide a variety of services, including internet and mobile banking, online trading, and other e-commerce options. Which is the source of so many financial crimes. For example, forgery, printing of counterfeit money notes, stamp sheets, and certificates, as well as cheating, credit card frauds, and hacking into bank servers. Such deception is carried out using modern printers and photocopiers.

³¹ Financial Crime, Marius-Christian Frunza, 2016

³² <<https://www.lawinsider.com/dictionary/international-banking-corporation>>

³³ **Banking on multinationals**, Adam S. Hersh and Christian E. Weller, April 1, 2002, <https://www.epi.org/publication/issuebriefs_ib178/> [Accessed 25 April 2022]

³⁴ Seen note 30

³⁵ Banking-Law-Professional, Joseosa, July 2014

³⁶ *ibid*

3.2 Issues arise on Fraudulent and wrongful Trading effect on the Banking Corporate Sector on Bangladesh and Others countries

Wrongful dealing, sometimes known as "trading carelessly," is a civil infraction in the United Kingdom. Section 214 of the Insolvency Act of 1986 covers this.³⁷ It occurs when company directors continue to trade despite knowing or should have known that there was no reasonable possibility of avoiding insolvent liquidation, according to the 1986 Act. They did not take "every precaution" to "minimize the possible harm to the company's creditors." To prevent wrongful trade procedures, directors must be deemed to have acted properly and responsibly in the time leading up to the company's insolvency. They must have always prioritized the interests of their creditors before their own. If directors are proven to have engaged in improper trade, they may be held personally accountable for the company's debts from the time they became aware of its insolvency. They may also be barred from becoming a director and penalized in some situations. Because fraudulent trading is a crime, it is far more serious than wrongful trading³⁸. The intent is the key distinction between the two. Directors who engage in fraudulent trade do so with the explicit goal of deceiving and defrauding their creditors and customers. However, the Insolvency Service must prove purpose, which will necessitate a detailed investigation. Directors who try to maximize money coming in before liquidation are more likely to be charged with fraudulent trading. If necessary, the liquidator will accuse the director of fraudulent trading after reporting discoveries of wrongful trading. Although the penalties are identical to those for improper trade, they are more severe. You could be held personally accountable for a greater share of the company's debts. A longer disqualification was imposed. You will be fined even more for your activities. Put in prison - this is more likely in the case of fraudulent trade. Wrongful and fraudulent trading can have serious consequences for both professional and personal lives, and should be avoided at all costs. The goal of a wrongful trading regulation is to make directors and shareholders of companies in financial distress pause and consider whether they are overly optimistic about the company's prospects.³⁹ A case has been filed

³⁷ Insolvency Act 1986

³⁸ Wrongful trading and fraudulent trading: what's the difference? Keith Steven, 10 July 2021

³⁹ *ibid*

at the firm for wrongful trading. Section 214 of the Insolvency Act of 1986 defines improper trade. The following legal case **IN RE CONTINENTAL ASSURANCE COMPANY OF LONDON PLC⁴⁰**, includes interpreting facts to determine whether they meet the criterion of improper trade. It is widely understood that one of the non-executive directors' responsibilities is to supervise the performance of the executive directors, and that the managing director of a company has a broad obligation to oversee the firm's operations, including its accounting processes. It is not believed that those responsibilities can extend to requiring non-executive directors to override professional directors in their specialties, such as the finance director. It is not the company's responsibility to get everything correctly. The obligation is to exert reasonable care and competence to the standard that the law requires of a director of the type of company in question, as well as to the standard that the company is capable of achieving by the Individual directors.

In Bangladesh Crypto Currency is new for trading. This crypto currency money is non authorities. This money is not authorized by any countries of the world. This currency is made and run by a Group of chain people. Nowadays we read in the newspaper about Bitcoin, Crypto currency and all. This all is not controlled by the government. In the whole world it works like a chain and we have to be prepared to know which will be under Money laundering or wrongful trading which will affect the financial sector as well as the corporation. If we are not ready to control and know about this before it comes to our country. It will have an impact on our Financial Institutions.

On the other hand if we focus on the current world economic sector, we can see that the western and developed countries willingly accept the crypto currency. Not only have that, the FIFA world cupped which is also known as the greatest show on the earth is also accepting cryptocurrency in Qatar in 2022. Crypto is an official sponsor of this FIFA world cup 2022⁴¹. Not only that, the world famous Italian brand Gucci has also announced that they will accept crypto currency with the existing currency and they want to say that this step will help them to move 1 step fast to reach the future.⁴² In the current world there are so many crypto currencies all over the world but according to usable facilities and legal support, Forbs Advisor listed 10 crypto currencies which are the best in May

⁴⁰ Seen note 36

⁴¹ www.fifa.com <Access date 2 May 2022>

⁴² Why Gucci will accept Cryptocurrencies- A preview of the future? Walter Loeb, 6 May 2022

2022. Among them Bitcoin is leading the first position with 548 Billion market capital.⁴³ But on the other hand, where the world is moving to digital currency, we as a country always deny this. In 2014 Bangladesh Bank also said that trading with Bitcoin is a punishable offense which may be jailed up to for 12 years.⁴⁴ So, recently in the world trading rules are made to trading under cryptocurrency, then we will face a lot of difficulties as it will affect the banking and corporate sectors most. By this new trading the financial industries will face new problems.

3.3 Effectiveness of the Money Laundering on the Banking Corporate site.

The international financial industry is one of the most important elements. International banking, on the other hand, has a number of challenges, including the international legal and regulatory framework, as well as money laundering activities. All of these concerns are putting increasing strain on international banks' operations across the globe.

According to **Money laundering prevention Act 2012**,⁴⁵ the definition is exactly what Money laundering means. There are two types of context covering these issues. One is international, another one is national. This international context money laundering is used as a secondary offense in many of the countries around the world. But in our Country it's a primary offense. Under **Section 2(V)**⁴⁶ There are about 8 topics by which we can describe which will be money laundering issues or not. Even though there are some basic differences between national and international Money laundering cases. Describe this context individually which are legally and illegally. We can understand those issues easily.

For example if any person sends illegal money from one country to another country to make their money legally. The government can investigate those sources of money. Even if anyone wants to send their money from Bangladesh to abroad. They have to take legal permission from the Bangladesh government. In Bangladesh it is a unique feature. There are two types of offense issued in this Money Laundering issue. One is the proceeds of crimes and predicate offenses. By

⁴³ 10 of the best Cryptocurrencies in May 2022, Kat Trentia, 15 May 2022

⁴⁴ Is bitcoin legal in Bangladesh?, Mahbub, <Access date 4 May 2022>

⁴⁵Money Laundering Prevention Act, 2012

⁴⁶ ibid

predicate offense if the money laundering issues described then it is under the secondary offenses. These primary and secondary offenses are inter related with each other. Now by section 2(V) the offense should be examined. If any of the offenses are included in this section 2(V) eight points then it will be under cause as money laundering. As Bangladeshi domestic laws already defined it very clearly with the unique definition. If anything will be related under this section then the punishment will be under money laundering prevention act. Then Section 2c⁴⁷ proceeds of crime” means any property obtained or derived, directly or indirectly, from a predicate offense or any such property retained or controlled by anybody which states that If there is any offense out of predicate offense that It will be examined by money laundering definition. In Section 1 to 27 is expressed offenses and under section 28⁴⁸ Protection of actions taken in good faith is declared by Bangladesh Bank which is a Predicate offense.

It is the process of converting huge sums of money earned via illegal activities such as money laundering, money transfer from one country to another, black money transparency, and corruption into legitimate sources. Many jurisdictions with such definitions consider it a crime. It's a crucial part of organized crime's and the underground economy's operations.

The world is turned in like a global village and these crimes are transnational crimes like the money laundering as in Penal Code,1860 we know about the culpable homicide and the murder case are interrelated like this the money laundering act and a mutual legal assistant in criminal matters act are interrelated with each other. If the Financial sectors or companies are not aware this time then many money laundering problems will be arising in future in the companies and financial sector like in the Banking commercial site.

Example: Money laundering is a secondary offense because when are people try to make his black money into the white money they committed crimes in different ways first of all when they tried to hide their black monies this is the main offense and after that when they try to convert this money in a white money that is a secondary offense.

⁴⁷ ibid

⁴⁸ ibid

❖ Placement- Layering- Integration

- **Placement:** The first entry of illegal money into the financial system is the settlement.
- **Layering:** In this scope hides the sources of money through a series of transaction and bookkeeping tricks.
- **Integration:** money laundering is withdrawal from the legitimate account to be used and the money is returned to the criminal from the legitimate source.

So this placement layering and integrations are interrelated with each other in these money laundering cases. Corporate corruption and money laundering are closely linked. It's not that every corporate corruption is interrelated to money laundering. Well the people Did a lot of corruption and took lots of Money from another person then it will be turned into a money laundering case but if a person takes a small amount such as loans or illegally took from a company or bank and those money spend in it different purpose in that day then we can't convert it as a money laundering cases it might be corporate corruption but not money laundering case. Corruption often such as bribery or theft of public goods generates significant amounts of proceeds that need to be landed or cleaned to enter the financial system without the stigma of integrity.

Money Laundering Prevention Laws In some places, if we do not know the difference through interpretation class, we will not be able to understand the changes or subsequent laws. We have to know the definition to know about money laundering and more about that law definitions are related to defining any kind of law easily as in this section of Ga we know more about that law. By this section we will get no more about the predicate offenses which are interrelated to the money laundering offenses to the corporate or commercial money laundering cases. There are 27 main objects of the offenses to define money laundering and the 28 number offenses defined by special organs of money laundering which will help to identify the financial institutions authorized by Bangladesh bank. This special 27 organs of money laundering helps to prevent actual money laundering cases from other offenses. If anyone tried to evade taxes then it would be a corruption offense.

In Bangladesh, section 25 of the Money Laundering Prevention Act (MLPA) of 2012 requires financial institutions to obtain complete and accurate identity information from potential customers before forming a commercial connection. The Money Laundering Prevention (MLP) Rules 2019 provide a precise framework for financial institutions to conduct customer due diligence. Then Section 4 states about the punishment: this punishment is an object to define any crimes. As if that crime is no more, another purpose is to regulate the punishment of the person who committed the crime. In fact, people are afraid to commit the same offenses. Punishment said not above 12 years and not less than four years not more than 10 lakh taka but attached the property. The punishment should be imprisonment with fine. After that we know about the Bangladesh financial intelligence unit⁴⁹ which works for the investigation of his cases. The trial procedure schedules offenses and when they get old evidence and report the investigation with a positive charge sheet to the seniors. It's not the right thought that the investigation officers are always correct. If the judges felt that the investigation reports are not correct then they can give it to the senior officer for the re investigation about this topic.

As we know that not every offense will be included in Money laundering. If any offense is examined under **section 2(V)** and its conditions are relatable with those points then it will be under money laundering prevention act. If we want to get preliminary ideas about this then under **section 2(Z)** Suspicious Transaction within Financial Transaction. If any Bank got any suspicion on the transaction they will be informed to Bangladesh Bank and verified by Government monitories.

3.4 Conclusion

Well in this chapter we mainly focus on our current upcoming problems which we are going to face. First of all, we do not have enough transparency in our banking sector. Every bank should submit their report to the central bank but we didn't see anything in our country and there is not enough legal action taken against this issue. Not only that, we have no proper guideline or law or expatriates on cryptocurrency, so if the World Bank or world trading accepts this currency we will face lots of problems.

⁴⁹ Bangladesh Financial Intelligence Unit Guideline, <Access date 4 May 2022>

Chapter 04 Analysis and findings of Research design

4.1 Introduction:

The importance of good governance in protecting the banking corporate sector is analyzed. Banks play a vital role in a growth of the economy. Banks are operating as trustees of depositors' funds in their function as financial intermediaries. As a result, effective Corporate Governance practices should be an inherent aspect of bank management in order for banks to run efficiently. Banks should practice strong Corporate Governance, which entails much more than simply following the law and regulations. Good governance allows banks to manage and oversee their businesses more effectively, maintain a high degree of business ethics, and give value to all of their stakeholders.⁵⁰

4.2 Research problems and steps that undertaken for this study: Research Question

Why Good corporate governance essential in the banking and financial sectors?

The importance of a competent financial sector in stimulating and supporting economic growth through effective resource allocation cannot be overstated. Financial institutions' effectiveness, competitiveness, and safety and soundness are all dependent on good Corporate Governance practices. Since the early 1990s, regulatory agencies and practitioners around the world have been paying more attention to corporate governance. Although corporate sectors are still in their infancy, understanding of the value of this is expanding. However, when compared to India, Sri Lanka, Pakistan, Thailand, and Malaysia, UK, USA, Bangladesh's corporate governance practice and theory have remained comparatively underdeveloped up till now.

⁵⁰ Seen note 34

Furthermore, market or institutional governance tools to sanction errant managers appear to be lacking. Even in International banking transactions raise legal concerns because multiple laws from different nations are involved. Even in a simple two-party loan deal, a variety of legal systems may be engaged for a variety of reasons. For example, an independent currency may be used for the transaction, but the loan is insured by a third party situated in another nation. In such cases, more than one law would be applied. In such a situation, the court would assess whether principles of private international law, or conflict of laws, apply to situations with a foreign element. A court's jurisdiction to decide a case is determined by private international law. The court must next decide which legal system will apply to the facts of the case. Determine if a foreign court judgment will be recognized or enforced by the court.

Finally, it is critical that the legal implications of foreign financial transactions be made as predictable as feasible. In purely domestic financial transactions, predictability is usually not a major issue because the rights and duties of the various parties are usually governed by the local legal systems under which they contract. However, in international banking, this will not always be the case, and it will be critical to arrange transaction paperwork within a competent legal framework. The most effective approach to accomplish this is to choose both the system of law that regulates the transaction's substantive features and the court that will have jurisdiction to decide any disputes that may arise. Because of the foregoing, multinational banks can have difficulty handling syndicated loans, depending on the number of banks and countries involved.⁵¹

So, Regulators around the world have recently imposed prudential standards on single borrower exposures, group exposures, and credit risk concentration. The basic principles of such norms imply that CG principles must be followed to some extent. To supplement these prudential standards, regulators may consider requiring banks and financial institutions to make required disclosures.

⁵¹ *ibid*

4.3 Conclusion

Banks are the primary source of finance for the majority of Bangladeshi businesses. Finding a balance in the financial institution by Good Corporate governance is most needed at this time. In today's fast-paced economies, an organization's reputation is just as significant as its commercial value. In addition to the financial crisis, firms are dealing with governance challenges, which pose a risk to their reputation. To address these issues, businesses are focusing on a new concept known as "Corporate Governance." The entire control of a corporation's activities is referred to as corporate governance. In other words, corporate governance is the issue that arises when control and ownership are separated. The topics of ethics, corporate governance, and corporate social responsibility in banks were discussed in this chapter. Following the review, the reader will be able to: – understand the necessity of corporate governance; – recognize and grasp the interconnectedness of – corporate ethics – corporate governance.⁵² We also know that the banking industry accounts for a significant share of global trade.

Chapter 05: Conclusion

By analyzing all the chapters and research questions in the financial sector, corporate governance transparency has significant ramifications. Regulators appear to be playing a significant role in encouraging financial companies to include governance disclosures in their annual reports. The financial companies that are likely to provide crucial information in the context of the Bangladesh financial institution sector, as well as the foundations for this research, have been described in this study. The goal of this study is to determine how well corporations adhere to Bangladesh's Corporate Governance. Various aspects of corporate governance rules and regulations, practices, and influences on company performance in Bangladesh's banking sector have been researched and analyzed in this study.⁵³

⁵² Banking Guideline, February 2017

⁵³ Seen note 03

Furthermore, all commercial entities have direct dealings with banks and financial institutions. In this setting, the importance of the banks' preeminent position cannot be overstated or underestimated. As a result, improving the governance competencies and capacities of banks and financial institutions must be at the top of our priority lists.⁵⁴ The global trend of targeting banking and financial sector governance procedures to be at the cutting edge of prevailing norms is a big step in the right direction and should continue to be so in the future. So, implementing strong Corporate Governance concepts and practices in our respective banking and financial sectors as a group naturally and such initiatives will benefit our own economy, which we are attempting to expand as soon as possible by the corporate sector maintaining by good governance.

Recommendation

Bangladesh, like the rest of the other countries, has passed regulations governing the practice of good corporate governance. But these are insufficient in Bangladesh. As the fundamental issue is that no special law exists to prevent the new and upcoming transparency and furthermore, if we are not aware this time then we cannot protect the financial sectors properly. As previously said, the government sector has made significant progress in this area, but the private sector remains in the dark. There was no basic practice of good governance to protect the financial corporate sectors and they were not even given legal support. It will become a major issue or a national problem because there will be significant losses which will not adequately compensate.

⁵⁴ Importance of Corporate Governance for the banking and financial, Mr Ajith Nivard Cabraal, February 2007

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